

February 19, 1999

Thomas May

President & CEO

Boston Edison Company

800 Boylston Street

Boston, MA 02199

Re: Purchased Power Agreements, D.T.E. 98-62

Dear Mr. May:

On July 1, 1998, the Department of Telecommunications and Energy ("Department") required each electric company to submit various information concerning each of its purchased power agreements ("PPA") pursuant to Section 193, Section 1G(d)(2)(i) of the Electric Utility Restructuring Act (Chapter 164 of the Acts of 1997) ("Act"). As required by the Act, the Department shall review PPAs in order to determine if they contain a price for electricity that is above-market as of the date of review. If, as of the date of review, a contract price is determined to be above-market, the electric company and the seller under the PPA "shall attempt to make a good-faith effort to renegotiate such contract in order to achieve further reductions in the transition charge." G.L. c. 164, § 1G(d)(2)(i). The standard of good faith "shall not require either party to agree to a proposal or require the making of concessions, but shall require active participation in negotiations and a willingness to make reasonable concessions in order to equitably mitigate stranded costs, and to provide justification for proposals, and a sincere effort to reach agreement." Id.

Further, the Act states that if an electric company has, as part of a Department-approved divestiture plan assigned such contract to a buyer having adequate financial resources, the electric company shall have met its obligations under this paragraph. Id. In addition, if a seller under such a contract has consented to assignment of the existing contract to the buyer and has agreed to release the electric company from its obligations under such contract, the seller shall have met its obligations under the Act.

On July 30, 1998, Boston Edison Company ("BECo" or "Company") submitted the requested information. On October 14, 1998, the Department requested additional information with regard to the Company's PPAs. Responses to these additional requests were provided on October 30, 1998.

In general, the Company's responses disclose specific contacts, firm offers and counteroffers regarding each of its PPAs. Although none of this activity has yet resulted in a restructuring of a PPA so as to reduce the Company's transition charge, such success is not required by the Act. Moreover, BECo avers that many of its discussions are ongoing. Finally, BECo states that it anticipates auctioning off some or all of its PPAs, but that it believes that the time is not yet ripe to conduct an auction that will maximize benefits to ratepayers. Based on the foregoing, we find that BECo has demonstrated an attempt to make a good-faith effort to renegotiate its above-market PPAs within the meaning of G.L. c. 164, § 1G(d)(2)(i). As required by the Act, the Company shall report to the Department any change in the status of its PPAs within 30 days.

Sincerely,

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Janet Gail Besser, Chair

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James Connelly, Commissioner

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W. Robert Keating, Commissioner

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Paul B. Vasington, Commissioner

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Eugene J. Sullivan, Jr., Commissioner

cc: George B. Dean, Esq.

Catherine Keuthen, Esq.